



Director of
Central Intelligence

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National Intelligence Daily

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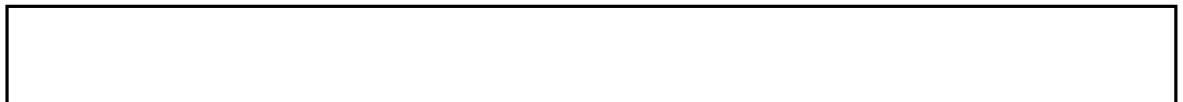
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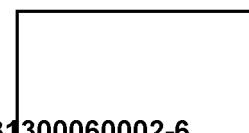
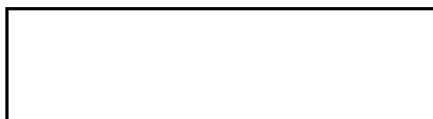
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The Overnight Reports, printed on yellow paper as the final section of the *Daily*, will often contain materials that update the Situation Reports and Briefs and Comments.

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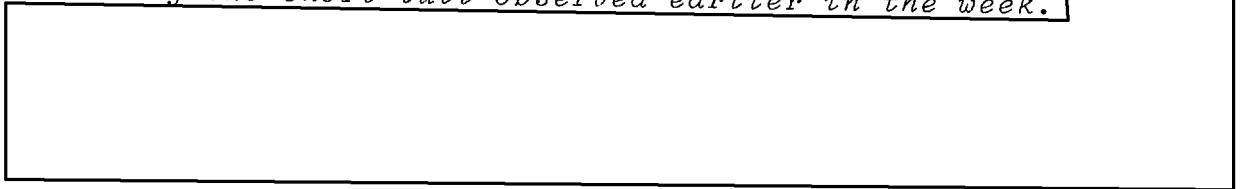
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BRIEFS AND COMMENTS

IRAN: Oil Exports and Prices

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Iranian crude oil exports have picked up sharply following the short lull observed earlier in the week.



The US Embassy reports that Japanese companies--and probably others--are lifting Iranian crude without a firm price. Contracts for exports beginning in this quarter were negotiated with upper limits of \$17 per barrel for Iranian light and \$16.50 for Iranian heavy crude. Iranian oil officials agreed in Geneva to a surcharge of \$1.20 per barrel above the official Organization of Petroleum Exporting Countries benchmark price, which would imply prices of \$15.85 per barrel for light crude and \$15.45 for heavy. The Japanese believe the Iranians will increase the surcharge to about \$1.80 per barrel.

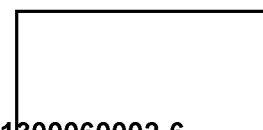
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The National Iranian Oil Company announced on Thursday that Iranian output has reached 3 million barrels per day--only a slight increase over late March levels. The National Iranian Oil Company still needs to raise output another half million barrels per day to meet its current export commitments and domestic refining requirements.

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USSR-AFGHANISTAN: Soviet Military Delegation

The arrival in Afghanistan on Thursday of General Yepishev, the ranking political-military general in the USSR, indicates that Moscow wants a close reading of the reliability and capability of the Afghan armed forces before deciding on what to do next in supporting the government of President Taraki. Yepishev is accompanied by an imposing delegation, including five other "political" generals. Over the past 10 years, he has rarely traveled outside of Warsaw Pact countries.

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Yepishev's journey suggests increased concern for the well-being of Soviet advisers in Afghanistan, in view of Afghan Army defections to the opposition and of Soviet casualties in Afghanistan.

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Soviet advisers were the principal target of enraged mobs in Herat last month and as many as 20 may have been killed. The Soviets are aware that they have long been the least popular foreigners in Afghanistan. One constraint on more visible Soviet military support for Taraki in the cities is the popular reaction it might provoke.

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SPECIAL ANALYSIS

EGYPT: Arab Economic Sanctions

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The sanctions against Egypt adopted at the recent Arab League meeting in Baghdad clearly apply to new extensions of aid, but the language of the resolutions leaves some room for differing interpretations on the permissibility of fulfilling past commitments. For the moment, Egypt's foreign payments situation appears strong enough to do without the Arab balance-of-payments support that has been crucial in past years.

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More than half of Egypt's economic aid from Arab states between 1974 and 1978 came from consortia with Saudi Arabia, Kuwait, the United Arab Emirates, and Qatar shouldering almost all of the burden. Economic aid totaling about \$1.2 billion annually between 1974 and 1978 was for general balance-of-payments support, while an average of \$550 million a year in the same period was provided to finance Egyptian military purchases. Less than 5 percent of Arab aid flows during these years was used for project assistance.

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Egypt After the Baghdad Meeting

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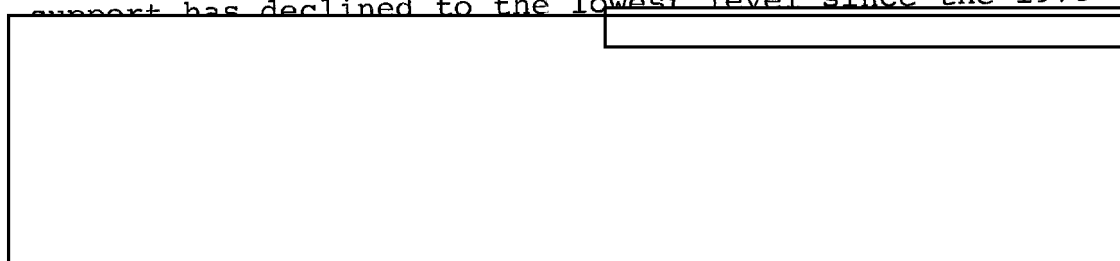


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Any cutoff of economic aid would come at a time when outstanding Arab commitments to Egypt are at a low point and Egypt's need for untied balance-of-payments support has declined to the lowest level since the 1973

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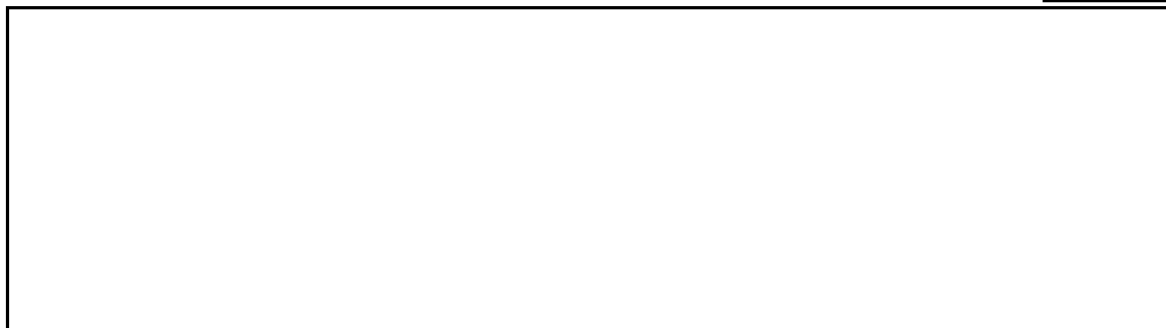


The favorable trend in Egypt's foreign payments situation probably will continue this year. Projections made before the recent oil price hike indicate Egypt needed only \$450 million in special balance-of-payments financing. The recent oil price hike should add at least \$100 million in earnings, bringing Egyptian needs down to \$350 million, which is manageable.

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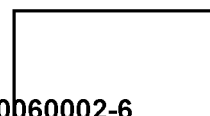
Worker remittances will not be affected directly by the sanctions. The Arab states pointedly aimed their actions at the government of President Sadat and not against the Egyptian people. The Arab states placed no restrictions on Egyptian workers or their earnings.

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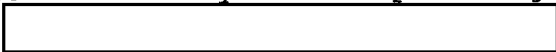
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While the Arab states did not take any sanctions against travel to Egypt, the number of Arab tourists going to Egypt is likely to fall. Any decline in Arab tourism, however, will at least partially be made up by increased numbers of European, American, and Israeli tourists. 


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Arab pique over future Egyptian oil sales to Israel apparently prompted the call for an Arab oil embargo on Egypt. These countries, however, do not sell crude oil or products to Egypt. 

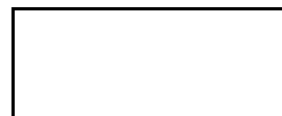
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The trade sanctions against Egypt are limited to Egyptian firms that deal with Israel. This will make Egyptian firms chary of establishing business ties with Israel; in any event, they were expected to move slowly until the durability of the peace agreements became clear. 

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If the Arab states should fail to provide aid flows, Cairo would be forced to examine how it would handle any future foreign payments difficulties. Egypt's practice has been to maintain minimal official foreign exchange reserves--currently equal to about one month of imports--because oil-rich neighbors were expected to rescue Egypt if problems developed. Without the Arab financial backstop, Cairo may want to increase its reserve holdings. Such a move would come at a time when the Egyptian Government would like to increase imports of basic consumer products to meet long-held Egyptian expectations that peace will lead to an improved standard of living. Faced with the political risk associated with cutting imports, Cairo is likely to look to the US and other non-Arab aid donors for additional help if future foreign payments difficulties arise. 

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OVERNIGHT REPORTS

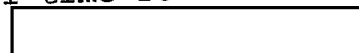
(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

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Nigeria

According to a Western press service, the chief economist for the Nigerian National Petroleum Corporation said recently that Nigerian oil production probably will fall later this year some 50,000 to 200,000 barrels per day from its current all-time record of about 2.5 million barrels per day.



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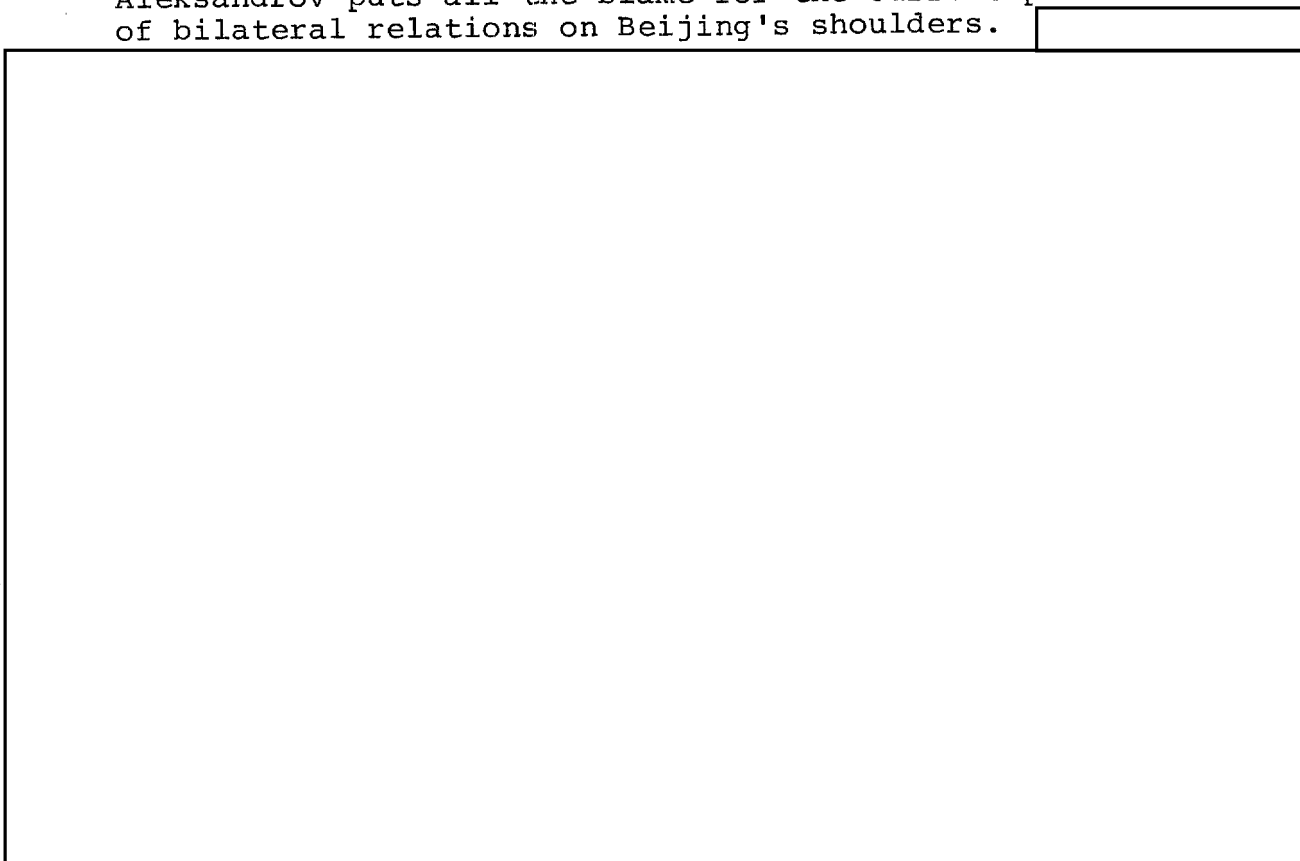


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USSR-China

A *Pravda* article today by I. Aleksandrov--whose name has in the past signaled high-level approval of statements on China--that deals with China's abrogation of the Sino-Soviet friendship treaty reasserts the rejection of Beijing's action made in the official Kremlin response on 4 April. In an effort to gain propaganda mileage, Aleksandrov reviews the assistance Moscow gave the Chinese from the signing of the treaty in 1950 until the "incredible turn" in Chinese policy in the late 1950s. Aleksandrov puts all the blame for the current poor state of bilateral relations on Beijing's shoulders.

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